



# Strengthening the Performance Framework:

Towards a High Performing Australian Public Service



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The complexity of the work undertaken in the Australian Public Service (APS) is increasing, with a rise in the need for knowledge work, as well as the speed and frequency of change. Simultaneously, there is pressure to reduce costs while still meeting the growing expectations of the public and the Government which presents a unique productivity challenge for the APS (Australian Public Service Commission [APSC], 2012). Ensuring that the APS achieves and maintains optimum levels of performance is, however, a complicated matter which needs to be addressed at four levels of activity: governance, organisational, group and individual (see Annex 1).

The argument is that while more traditional reforms in the areas of technology and the use of structural or administrative changes can support the achievement of these requirements, they can provide only part of the answer. Real gains will emerge through the implementation of high performance practices at all four levels of activity. This paper presents a framework for supporting the development of high performance through an alternative approach to performance management.

The proposition of this framework is that, to enable high performance, there needs to be a renewed emphasis on performance management as a core activity that is embedded in all management functions. To be meaningful and effective, performance management needs to be integrated with other management and human resource practices in order to develop an integrated system of high performance; it would commence with job design and flow through to when an employee leaves the organisation. Several of the mechanisms required to support effective performance management are already evident in organisations. However, their application is limited and there are a number of areas where the performance management system could be improved to support performance improvement, employee engagement and high performance.

To assist organisations in undertaking a renewed approach to performance management, the Commission, in collaboration with Professor Deborah Blackman and Dr. Fiona Buick from the University of Canberra, Professor Janine O'Flynn from the University of Melbourne and Professor Michael O'Donnell from the University of New South Wales Canberra, undertook a comprehensive review of the existing literature on high performance and performance management to develop a new conceptual framework<sup>1</sup>. Empirical work undertaken in APS agencies has resulted in the development of a new approach. We now present a new approach to performance management designed to support the development and maintenance of high performance within the APS (see Annex 2 for details of the project methodology).

The research identified that performance management is an issue affecting every aspect of an agency's operation, from the performance of individual employees through to the implementation of organisational outcomes expected by Government. A framework has been developed that reconceptualises the elements that support performance improvement and, ultimately, high performance. The report details the elements of the framework itself, as well as offering guidance on how to implement the principles and foundation elements.

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<sup>1</sup> See Blackman, D., Buick, F., O'Donnell, M., O'Flynn, J. and West, D. (2012). 'Developing High Performance: Performance Management in the Australian Public Service'. See [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2130232](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2130232).

The findings of a review of the existing literature, data from the *State of the Service Report* (SOSR) 2011-12, agency consultations and cross-case comparisons have been brought together to generate a new performance management framework. The framework comprises four principles and practices for high performance and three foundation elements (Figure 1; see Annexes 3, 4, 5, 6, 7, 8 and 9). It will form the basis of a Diagnostic currently being developed; this will be designed to assist organisations to assess their current practices and to move towards a high performance approach (see Annex 10).

## 2.1 Research findings

Research findings, drawn from the variety of sources outlined above, led to two areas for consideration: the role of performance management within the APS and the aspects required for performance management to support the development of high performance. The principles and recommendations outlined in this report integrate these ideas into a framework for future practice.

### 2.1.1 Role of Performance Management

The empirical findings demonstrated that effective performance management must have a clear purpose and be meaningful to employees. Research participants viewed performance management within the APS as a mechanism for:

- aligning employees to organisational requirements;
- clearly articulating and managing expectations;
- clearly establishing role and goal clarity;
- identifying the support required to enable goal attainment;
- discussing future career aspirations;
- identifying developmental needs;
- monitoring and reviewing performance;
- ensuring that standards of performance align with expectations; and
- recognising good performance.

Managers recognised that performance management could enable organisational goals to be clearly communicated across all hierarchical levels of APS agencies. For this to be achieved, however, the importance of people management as a core management activity required increased recognition and support. Performance management was often viewed as a compliance exercise, or shorthand for managing underperformance, and this often resulted in a degree of cynicism and a reluctance to engage in this process among supervisors and employees alike. In contrast, the framework outlined in this paper outlines a system that promotes high performance through: the development of clear definitions of high performance; a focus on performance improvement; the prevention of underperformance; and the active management of performance issues.

The research in APS agencies found that the implementation of performance management was uneven. While there were numerous examples of effective implementation, there were also many examples of where managers lacked the time and/or the skills necessary to establish employee goals and provide constructive feedback on employee performance and behaviours. This highlights the need for further development of managers' capabilities and skills in communicating performance expectations, providing feedback and evaluating performance outcomes. For many participants, reconfiguring the system was not considered a priority; making current performance management systems more effective through improved implementation and support for managers and employees was viewed as more valuable.

### 2.1.2 Aspects required for Performance Management to support the development of High Performance

Our findings point to seven areas of focus which are important for the successful attainment of high performance through any performance management system:

#### Theme 1 – Clarity and Purpose

- A shared understanding of high performance within and across organisations.
- Clear purpose, objectives and goals are required at the organisational, group and individual levels, enabling the effective management of expectations.
- The purpose of performance management must be clear; it must be seen as meaningful and worthwhile.

#### Theme 2 – Alignment and Integration

- A clear line of sight between high-level and individual goals is necessary for high performance.
- Rigorous recruitment processes to ensure effective job-person fit, leading to higher levels of performance.
- Utilising the probation process more effectively to permit organisations to evaluate job-person fit and enable managers to anticipate and address performance issues earlier.
- A clear focus upon the development needs of individuals with regard to task, behaviours and organisational capability requirements.
- Utilisation of a range of reward and recognition practices that encourage good performance, in particular rewards that include praise, peer recognition, and increased developmental opportunities.

#### Theme 3 – Mutuality and Motivation

- Managers and employees are mutually accountable for employee performance, with particular emphasis on mutual ownership of performance management.
- Regular conversations between managers and employees, and the provision of timely and constructive feedback beyond the formal requirements of the performance management system.

#### Theme 4 – Adaptability and Progress

- A focus on performance improvement at the organisational, group and individual levels.
- Organisations, groups and individuals anticipate, adapt and respond to change.

- Performance agreements are responsive to changing circumstances, enabling the maintenance of a clear line of sight between the achievement of organisational goals and the performance expectations placed on individual employees.

### **Theme 5 – Evidence and Data**

- The collection and reporting of useful performance data such as outcomes, quality and information metrics for use in decision-making.
- Consistency in how performance is defined and how performance ratings are allocated. This occurs through increased discussions among managers and employees about what high performance represents and what performance standards and behaviours are expected of employees for each level of the performance rating scale.

### **Theme 6 – Pragmatism**

- To enable organisations to meet their future goals through more effective use of performance management systems, they need to be able to identify what is, and is not, possible given their current state and build upon their strengths.
- To encourage high performance, agreements need to be tailored to individual employees and their specific contexts.

### **Theme 7 - Capabilities**

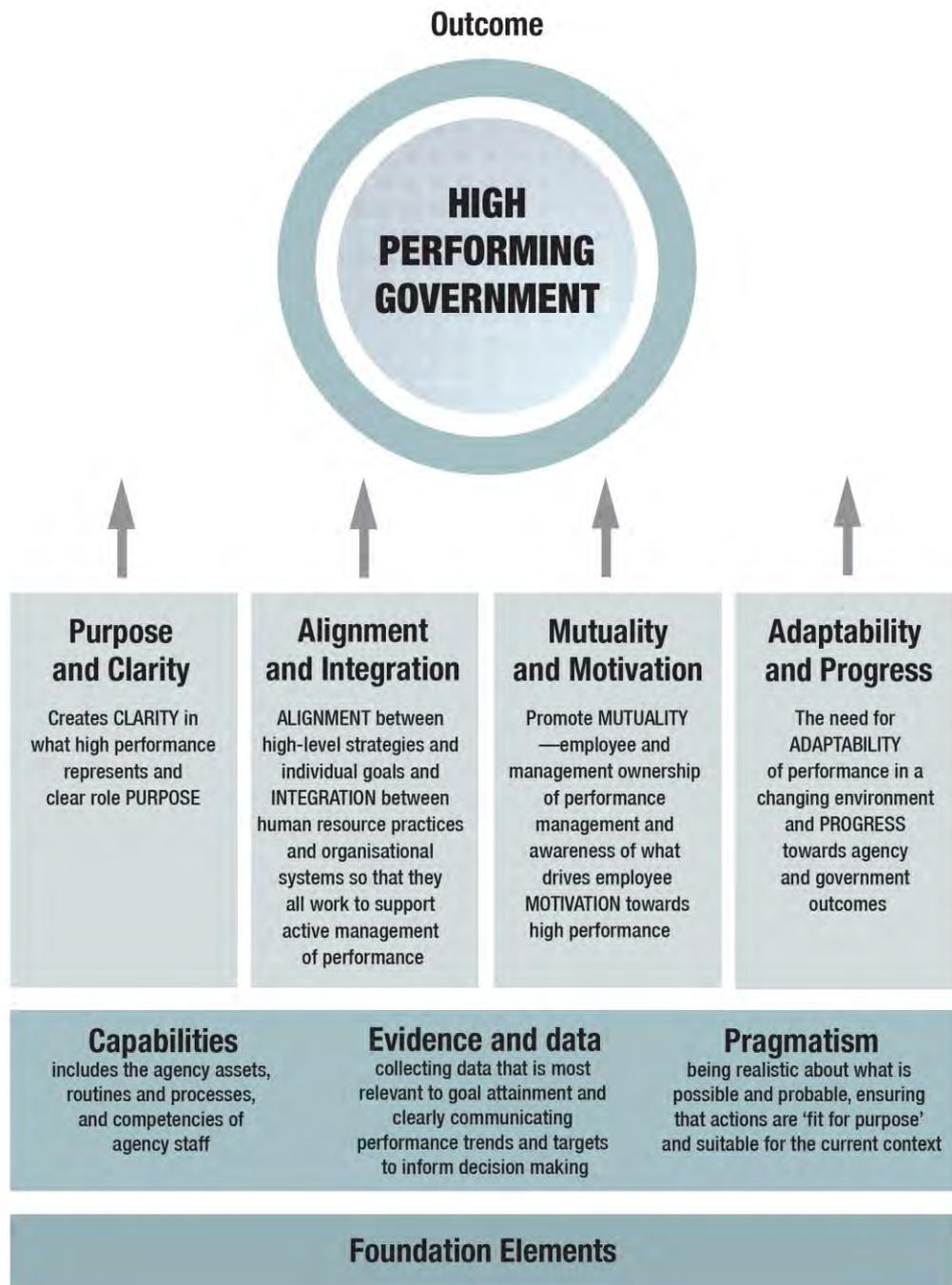
- Organisations identifying what capabilities and competencies are required at all four levels – governance, organisational, group and individual – to achieve longer term goals and objectives.
- Human resource management support is a critical competence in terms of advice, support and system design.
- A focus on improving managerial competencies in people management in general, and performance management in particular.
- Managers are provided with the knowledge and support to enable them to address performance concerns at an early stage. They also have adequate support to recognise and reward evidence of high performance. This support enables the development of individual competencies to support the new approach.
- Performance management is considered a priority and a core managerial activity.
- Ongoing discussions between managers and employees who have the capabilities to undertake performance management effectively.

Findings from this project complement those from the recent Capability Reviews undertaken in the APS. It is of note that there was evidence of good practice in all agencies. In some areas of the APS, individuals are engaging in active and ongoing performance management that addresses many of the issues raised in the research. However, this was largely based on the actions and motivations of individual employees and managers rather than widespread practice. The challenge is to learn from good practice and to translate these lessons into a systematic approach which becomes 'business as usual' but remains flexible to different contexts and requirements – at no point is a 'one size fits all' solution advocated.

### 2.1.3 A Performance Management Framework for the Australian Public Service

The seven aspects were classified into two distinct categories: either a principle or a foundation element. A principle is a design element of any performance management system; it will influence application and implementation of a system in terms of how the content of performance management agreements is developed. A foundation element is a necessary condition for high performance which acts as a part of the organisational support structure underpinning the implementation process.

**Figure 1: Principles for High Performing Government**



## 3.1 PRINCIPLES

### Principle 1: CLARITY in what High Performance represents and clear role PURPOSE

The first step in attaining high performance is for government, organisations, groups, teams and individuals to clearly define what high performance means at each of these levels within the specific context being addressed, enabling the purpose at each level to be outlined. Annex 3 outlines this principle in detail.

### Principle 2: ALIGNMENT between high-level strategies and individual goals and INTEGRATION between human resource practices and organisational systems

Organisations should pursue alignment between high-level strategies and group and individual goals to ensure employees have a clear 'line of sight' between their roles and both the governmental and organisational objectives. Alignment can be achieved through the integration of human resource practices with one another and with other management processes. Effective systems are also required to support managers and employees to achieve the goals and workplace behaviours expected of them. Annex 4 outlines this principle in detail.

### Principle 3: MUTUALITY of employee and management participation in performance management and awareness of what drives employee MOTIVATION towards High Performance

Performance management can only improve if mutuality and employee participation are promoted. Employees and managers can be encouraged to develop joint ownership of the performance management process and the outcomes achieved. This will require managers and employees to actively participate in the development of meaningful performance agreements and in the assessment and evaluation of performance outcomes. Annex 5 outlines this principle in detail.

### Principle 4: ADAPTABILITY of performance in a changing environment and PROGRESS towards organisational and government outcomes

There is a need for adaptability of performance in a changing environment. Consequently, processes need to be flexible and open to review. Organisations are encouraged to develop systems that support the measurement of progress towards organisational and government goals throughout the performance cycle and not just at the completion of the cycle. Annex 6 outlines this principle in detail.

## 3.2 Foundation Elements

Our findings point to three foundation elements which underpin the four principles and the attainment of high performance.

### Foundation 1: EVIDENCE and DATA

There should be a strategic approach to collecting data that is relevant to goal attainment and strategic and operational decision-making. Available data should be used to enable performance improvement through the effective communication of performance trends, targets and attainments. Annex 7 outlines this foundation element in detail.

### Foundation 2: PRAGMATISM

Performance management (and other processes) should have realistic goals, plans, and be 'fit for purpose'. They need to be appropriate for the organisational context, reflecting any specific requirements or conditions relevant to individual organisations. Annex 8 outlines this foundation element in detail.

### Foundation 3: CAPABILITIES

To become a high performing organisation, the resources, routines, structures, systems and processes of an organisation are brought together and leveraged. The focus here is on ensuring they *complement* one another and enable high performance. The competencies of all employees are a critical part of this foundation element as it will be the leadership, management, support services and employee competencies which will enable the long term development of the organisational capabilities. Annex 9 outlines this foundation element in detail.

## Annex 1: Dynamic four-tier framework model of High Performance

Understanding and measuring the drivers of high performance in the APS remains a significant challenge. Reflecting on the four-tier framework model in Figure 2 may assist organisations to recognise high performance as being the product of a dynamic system. The original three-tier model (Blackman, Buick, O'Donnell, O'Flynn and West, 2012) has been updated as a result of the empirical data which highlighted that the group level often mediated between the individual and the organisational levels. Consequently there needed to be recognition in the principles of the different requirements that this raises; for example, aligning an individual to both their group and their organisation. To facilitate high performance across the APS, the four principles will be reflected at all levels of the four-tier model.

**Figure 2: Four-tier model for High Performance**



**High Performance Governance System** sets the system-wide architecture that enables high performance across organisations. It includes the elements that contribute to whole-of-APS performance: for example, the enabling environment, inter-organisational leadership and stewardship. These ideas are central to ensuring that system goals and broader outcomes are considered in the context of achieving governmental goals. A High Performance Governance System is also oriented towards building and enabling the capacity to enhance organisational, group and individual performance.

**High Performance Organisation** focuses on the organisational characteristics and set of practices of high performing organisations. The integration of practices at this level is central to building capability and enabling the management capacity necessary for enhancing organisational performance.

**High Performance Group** focuses on the characteristics of high performing groups. Employees all work within groups and they are often mediators between the individual and the organisation. Thus they need to be recognised as a clear entity that needs high performance goals and practices designed with them in mind.

**High Performance Individual** focuses on the characteristics of high performing individuals. Employees are crucial to any system as it is their behaviour that will determine the achievement of organisational goals. However, their effectiveness is only possible if they are in a functioning system that integrates the four levels of this model.

**High Performance Work Practices** were initially identified at each level of the framework (Blackman et al., 2012). These have now been refined as a result of the research. It is anticipated that the Diagnostic currently under construction (see Annex 10) will provide a basis for agencies to analyse their own systems and practices in order to develop organisation-specific high performance work practices if necessary.

## Annex 2: Project methodology

Case studies were undertaken in seven APS agencies (see Table 1) to better understand the enablers and impediments to high performance in agencies.

**Table 1: Case studies used in this study**

Organisation size	Organisation type
Large	Policy
Large	Policy
Large	Operational
Large	Operational
Medium	Policy
Medium	Operational
Small	Regulatory

Data was collected using the following methods:

- *Documentary analysis:* Internal documentation such as reports and performance management documentation were obtained so that each system could be clearly understood. Public documentation such as government publications and annual reports were obtained from organisational internet sites.
- *Secondary data:* Secondary data was analysed through using State of the Service Report (SOSR) data (including a series of new questions specifically on performance management).
- *Semi-structured interviews and focus groups* were undertaken where participants were asked a series of questions to establish which factors enabled or impeded the achievement of high performance and what was their impact on high performance. As at 1 December 2012, the project had an overall sample of 226 participants (see Table 2).

**Table 2: Overall participant sample**

Phase / Level	Operational	Middle manager	Senior manager	Total
Semi-structured interviews	0	48	42	90
Focus group	71	65	0	136
Total participants	71	113	42	226

Consultations were also conducted with the following:

- ACT, NSW and VIC Performance Management Networks;
- Senior Human Resource leaders (multiple forums); and
- APS employees within the GovDex Community of Practice.

## Annex 3: Principle 1: Clarity in what High Performance represents and clear role Purpose

### Clarity in what High Performance represents

There are various definitions of high performance and a growing body of literature around the characteristics of high performing organisations in both the public and private sectors. In this project we identified the following characteristics: strategic orientation; vertical and horizontal system alignment; outcome and citizen orientated; cooperative partnerships; capabilities and competences; high employee engagement; continuous improvement; and walking the talk (for an overview see Blackman et al., 2012).

Jupp and Younger argue that understanding what high performance means and, therefore, how to create high performance organisations is a difficult and challenging exercise in both the public and private sectors: “*no consistent standard of value has emerged to serve as a reliable guide for governments on their high-performance journey*” (2004: p.16).

The findings of our research support this argument, with no consistent or shared understanding regarding what constituted high performance in *any* of the case study organisations. This is evidenced through the frequency with which participants described certain characteristics of high performance, with 125 different characteristics identified.

The lack of consistency and shared understanding of what high performance looked like meant that many employees did not know what was expected of them in terms of their performance, or the standard that was considered to be high performance in their organisation or group.

There was also no shared agreement regarding what constitutes high, medium or low performance at each hierarchical level, functional area or job type. Data from this project supports the SOSR 2011-12 findings where disparities were evident regarding descriptions of ‘good’ and ‘poor’ performance across the APS, EL and SES levels (APSC, 2012, pp.193-194). The lack of shared agreement between hierarchical levels may lead to managers and employees having very different expectations regarding performance that result in quite different approaches to employee performance assessment. Employees may think they have demonstrated high performance while their manager may believe that their performance merits a ‘fully effective’ performance rating. This finding highlights the need for increased communication of managers’ expectations against each level of the performance rating scale and for increased consistency between managers when evaluating employee performance.

To enable a high performing organisation to develop, there needs to be a clear definition of high performance that can be cascaded through the hierarchical levels. It is important to develop a shared understanding of what constitutes high, medium or low performance for the organisation and at each hierarchical level, functional area and job type, covering both desired results (*what* is achieved) and behaviours (*how* it is achieved). What is critical is how these definitions will work together in a high performing system.

A shared understanding of high performance will assist with establishing and managing expectations. It would provide: a mechanism to clarify expectations of individual employees and a discussion point for establishing these expectations; a benchmark for the level of performance required at each hierarchical level to achieve each level of the organisations' rating scale; clarity as to what it would take to achieve the highest level; and consistency within organisations regarding the provision of ratings as well as a clear basis for establishing when someone was not performing satisfactorily.

## Clear Purpose

What can be seen from the previous section is that clear definitions of high performance will better enable an individual to understand the purpose of their role. Through developing a clear picture of high performance connected to clear goals, it is likely that employees will be more inclined to maintain and improve their performance.

Clear purpose is required in order for an employee to understand what their role expectations are, how they can conform to these expectations, and what the consequences of their actions are likely to be (e.g. what behaviours are likely to be rewarded or punished) (Kahn, Wolfe, Quinn, Snoek and Rosenthal, 1964). A key mechanism for establishing a clear purpose is the performance agreement.

A common approach to developing performance agreements is that of goal setting (Locke and Latham, 1990) which involves developing performance objectives that are specific, clear, measurable, and that include key job responsibilities and competencies. Through providing clear purpose, groups and employees can develop a clear understanding of their role and their managers' expectations of their performance.

By more clearly articulating performance objectives, accountabilities can be more effectively assigned, measured and followed up. Of critical importance to this is transparency at the organisational level. To develop into high performing organisations, organisations need to have a clear strategic direction, articulation of goals, and implementation plan(s) with well-defined timelines.

## Summary

The establishment of role clarity and purpose at the organisational, group and individual employee levels is essential for high performance. Our research shows that there are inconsistencies within the APS and until the characteristics of high performance have been clearly defined and communicated to employees at all hierarchical levels, the rest of the framework cannot be successfully undertaken. This is an issue that needs to be clarified at the governance level and then a clear dissemination plan developed. To facilitate the establishment of clarity and purpose, organisations need to communicate their goals and objectives more effectively across all hierarchical levels. They can also use performance agreements as a mechanism to clarify expectations at the group and individual levels. In doing so, performance management can be made more meaningful and purposeful; a key factor in encouraging more active engagement in performance management.

## Annex 4: Principle 2: Alignment between organisational strategy and individual goals and integration across HR activities

### Alignment between organisational strategy and individual goals

Alignment between organisational strategy, group and individual goals is necessary to ensure that individuals can see how their individual effort and performance contribute to the attainment of organisational and governmental goals. When alignment is successfully achieved, clear goals are evident at the top of the organisation / group and are clearly communicated at all hierarchical levels.

Employee motivation is likely to be enhanced where employees can clearly see how their work contributes to broader organisational and governmental goals: it demonstrates how they are making a difference. It is critical for employees to understand the broader context, the interdependencies which exist within and across organisations, and why it is important for them to achieve particular performance standards. When employees at all hierarchical levels have a clearer understanding of performance expectations this is likely to lead to improved performance.

Performance agreements have the potential to enhance employees' understanding of performance expectations; they can foster a clear 'line of sight' between the performance of individual employees, the groups they work with and the achievement of organisational goals. Ideally these agreements begin with the clear articulation of organisational goals in high-level plans, which are then cascaded through the various layers of the organisation, to ensure that performance expectations for employees at all hierarchical levels are clearly aligned with these goals.

Senior managers play a critical role in establishing connections between the different parts of the organisation. This involves communicating organisational goals to employees, and translating these goals into group and individual level plans.

Alignment can be achieved through various other means: for example, group members engaging in open and frequent communication, as well as involving employees in meetings of senior managers within and outside of their organisation. This will enhance an employee's understanding of organisational priorities beyond their division, branch or section. It will also provide clarity as to why decisions were made and why a particular direction or focus has been adopted. Regular and effective communication between managers and employees was also found to be important for the achievement of alignment between organisational strategy and individual goals.

It was also evident, however, that the ability to obtain alignment was often difficult to achieve. Alignment between strategic plans, group business plans and individual performance was often tenuous, with the ability of individual employees to link their performance agreements to high-level goals not achieved in many cases.

Our research showed that several factors negatively affected alignment including:

- delays with publishing high-level plans, which impeded the ability of performance agreements to foster a clear 'line of sight' between the performance of individual employees, groups and the achievement of organisational goals;
- lack of consistent and clear communication of high-level goals and organisational priorities. Employees noted the lack of alignment between their individual and group roles and the broader organisational strategy led to uncertainty in role focus and unclear organisational expectations of their performance;

- lack of explicit alignment with high-level plans, where employees worked in areas that did not directly align with group or organisational goals;
- performance agreements not being utilised as a tool to facilitate alignment, because they did not adequately document the tasks that employees were expected to undertake to achieve the organisation's higher-level goals; and
- ongoing change made it difficult for employees to clearly understand how their work aligned with organisational goals and priorities. This highlights the importance of clearly communicating how change will affect employees and what will be different as a result of the change, and why.

### Integration across HR activities so they enable alignment

Alignment between organisational, group and individual goals must be supported by the integration of management and human resource practices. The literature suggests that the utilisation of a 'system' of practices, managed in a way that is appropriate to the organisational context, will establish the foundations for a high performance organisation (Sung and Ashton, 2005). Typically, the focus in the literature is on human resource practices such as: job design; recruitment and selection; employee learning and development; performance management; rewards and recognition and high involvement work practices (see Blackman et al., 2012 for an overview). These practices are required to function together effectively to reach the goals, and enhance the productivity, of the organisation (Gephart and Van Buren, 1996; Van Buren and Werner, 1996). To ensure that these systems are in alignment, high performing organisations conduct regular reviews of their people management practices to ensure that they are working to support the achievement of the organisation's goals and objectives.

The analysis of our case study data demonstrated that performance management systems were often stand-alone processes, and were often not linked effectively to other human resource or management policies, processes or practices.

To achieve high performance, a range of organisational and management policies, processes and practices need to be seen as a part of the performance management system. Of particular note is the delegation of authority for the following functions:

***Decision-making:*** For high performance decision-making authority must be devolved to managers and employees at appropriate hierarchical levels.

***People management:*** Appropriate delegation for people management matters must be provided to managers to increase their responsibility and ability to manage their employees.

***Financial management:*** Appropriate delegation must be devolved to managers for financial matters.

However, this study found that many managers lacked the appropriate delegation to approve work and to make decisions regarding people and financial management matters, leading to a sense of disempowerment and reduced competencies at the middle management levels. The lack of appropriate delegations led to reduced performance, responsiveness and willingness by employees and managers to be actively engaged in work processes.

The integration of human resource practices is essential for ensuring alignment with organisational requirements and for making performance management more meaningful. The key human resource practices identified as forming part of this complete performance management system were:

**Job design:** Job analysis and design is a necessary upfront investment as it facilitates strategic alignment, provides a basis for role clarity and connects to several other human resource practices. However, our research found little evidence that effective job analysis or design is undertaken in the APS.

**Recruitment and selection:** Effective recruitment and selection processes are essential for obtaining the right job-person (and organisational) fit, for optimising performance and productivity, and preventing underperformance. Our research, however, found that recruitment practices were often undertaken in a way that did not facilitate this. Job requirements were not always clearly specified for particular jobs or roles. Bulk recruitment did not always ensure that the correct job-person (or organisation) fit was achieved and this has the potential to create challenges for high performance.

**Probation:** Probation is a critical point to evaluate the effectiveness of job-person fit. Probation is also critical for establishing individual role and goal clarity. This ensures that employees know what they will be required to do and enables organisations to detect and address potential performance issues early. Our research, however, found that probation was under-utilised in many agencies. The role of probation as a tool for preventing underperformance and encouraging high performance was often not utilised effectively.

**Performance agreement and appraisal:** Key elements of an effective performance management system are: the utilisation of informal and formal mechanisms to establish performance expectations; provision of feedback; evaluation and assessment of performance; and identification of development needs. Our research found that the development of performance agreements and the undertaking of mid and end of year performance reviews were often viewed as compliance exercises.

**Learning and development:** For high performance to emerge, learning and development requirements that will enable improved individual, group and organisational capability need to be identified. Our research found that there was an underinvestment in employee learning and development in many organisations. While learning and development needs were being identified for employees, too often they were not being delivered.

**Rewards and recognition:** These represent an important human resource practice for encouraging and reinforcing desired performance and behaviours. Our research found that informal rewards were highly valued, with particular emphasis placed on acknowledgement and feedback from supervisors. The implementation of a range of reward and recognition mechanisms was variable, with limited acknowledgement for work undertaken and recognition regarding its importance to the organisation.

**Workforce planning:** This provides a foundation for several human resource practices. It is important for ensuring roles / jobs are aligned with organisational requirements, both currently and into the future. Our research found that many organisations did not have developed workforce planning strategies. Participants often reflected that the impetus to get a task completed or a role filled often led to reactive human resource practices rather than a strategic, planned approach.

## Summary

Alignment is critical for motivating employee performance and aligning collective efforts towards the attainment of organisational goals. It was clear from the research, however, that there were low levels of alignment across the APS. A number of mechanisms that could be adopted to facilitate alignment have been identified: senior managers translating higher-level goals for groups and individuals; exposing employees to high-level meetings and strategic conversations; and frequent communication between managers and employees regarding performance expectations. The predominantly reactive nature of many current human resources practices across the APS means that a coherent performance management implementation strategy is lacking.

## Annex 5: Principle 3: Mutuality of employee and management ownership of performance and awareness of what drives employee Motivation towards High Performance

### Mutuality

Effective performance management and high performance can be achieved where both managers and employees are accountable and have mutual ownership over the delivery of performance expectations. Our study found that in some agencies, manager-employee relationships were not being managed in a way that would support mutuality. Employees often perceived performance management as something that was 'done to them'. The focus upon compliance led many employees to perceive performance management as a reporting process that resembled a school report card, or as a punitive tool used to critique their performance.

Where mutuality is evident, however, both managers and employees identify goals; expectations of both employees and managers for the achievement of these goals (for example, behaviour should be consistent with the APS Values); and developmental requirements. The management of performance is considered to be a two-way partnership and process whereby both parties provide one another with ongoing honest and open feedback. Both parties need to give and receive feedback in a constructive manner. Two aspects are of importance here: firstly, employee ownership and secondly, managerial accountability.

***Employee ownership:*** Employees need to be encouraged to actively participate in the management of their own performance and their own career development. This involves employees being encouraged to be proactive in initiating conversations and meetings with their manager / supervisor; identifying and establishing performance goals, including aspirational goals; seeking out development opportunities; identifying when they require assistance with achieving their goals; requesting feedback and providing their manager / supervisor with feedback regarding how they are performing; and participating in the evaluation of their own performance, for example through the completion of a self-assessment prior to the formal evaluation with their manager.

***Managerial accountability:*** Managers need to be accountable for managing their employees, ensuring they are adequately supported to enhance performance and to achieve their goals. Mutuality requires managers to be willing and capable of providing constructive feedback on an ongoing basis. They must also take responsibility for their role in preventing underperformance through addressing performance issues and conducting potentially difficult conversations in a timely manner.

When mutuality is evident, both managers and employees are more likely to demonstrate increased commitment and willingness to perform. Discrepancies between employee and management expectations can also be minimised through the clear articulation of performance, behavioural and role expectations.

## Motivation

Mutuality can be achieved through recognising the differing motivations of those involved in organisations. Our research showed that employees within the public service are motivated by a broad range of factors. For many employees, opportunities to develop their competencies, skills and knowledge was of critical importance, as was the ability to make a difference and to be recognised for their contributions.

***Making a difference:*** Employees are motivated to work to progress governmental goals and the interests of citizens. Motivation is likely to be enhanced where employees can clearly see how their effort contributes to these broader goals (Alford and O'Flynn, 2012).

Our research demonstrated that the desire to make a difference was a powerful motivator for employees. The need to engage in meaningful work and a sense of making a contribution to the group, organisation and society was central. Critical to employee motivation was an understanding of their work, why it was important and how it linked with and made a difference to other areas (e.g. group, organisation and governmental goals, and the public). This emphasises the importance of the governance role of providing a clear mission / vision / goals that are communicated and cascaded downwards so that employees understand their contribution to organisational goals and objectives.

***Recognition:*** Recognition and acknowledgement of high performance is another important motivator. Many participants, however, commented that the APS does not adequately acknowledge and recognise their performance or willingness to exert discretionary effort. This results in a mismatch between employee motivation and the types of rewards used. For example, many participants noted that promised development opportunities were not always delivered and that praise was underutilised as a form of recognition.

## Summary

The principle of 'mutuality and motivation' is important for the realisation of performance improvement. Many participants, however, described the performance management process as something that was 'done to them'. This is a long way from a mutually negotiated process. By involving employees more in performance management, organisations can empower employees to take ownership over their performance, to develop mutually agreed goals with their supervisor, and to seek out opportunities for development. A mutually negotiated process will ensure that managers have a better understanding of the motivations of their employees and are more likely to make use of more appropriate recognition rewards.

## Annex 6: Principle 4: Adaptability of performance in a changing environment and Progress towards organisational and governmental outcomes

### Adaptability of performance in a changing environment

The current APS environment is characterised by constant change, including Machinery of Government changes, agency restructures, changing priorities, and changes to roles and responsibilities. In the existing literature, the need to anticipate, respond and adapt to changing circumstances has been highlighted as a characteristic of high performing organisations and individuals (see, for example, de Waal, 2010; Holbeche, 2004; Pickering, 2008; Popovich, 1998).

Our research suggests that the ability of organisations to adapt to this change and to address environmental demands relies on the ability of groups to adjust and adapt to change, to help one another and to deliver work in a timely manner. To facilitate these outcomes, employees need to be provided with the skills and job knowledge to become multi-skilled, flexible and responsive to changing priorities.

To optimise the ability for organisations and groups to adapt to change there must be systemic focus on building the capacity of employees to respond to changing circumstances. This may include providing employees with development opportunities that increase their exposure to other areas (e.g. project work) and build their skills and competencies. It could also involve organisations maintaining records of their employees' skills and expertise so that they can identify and address skill gaps and redeploy employees with relevant skill sets where necessary. A central mechanism for enabling adaptability to change is managers and employees engaging in ongoing informal conversations regarding changing priorities, roles and responsibilities.

Performance agreements can play a central role in supporting and enabling adaptability to change. This can be achieved through focusing on broad priorities, intended outcomes and the level of performance expected at different hierarchical levels. Performance agreements need to encourage reflection, learning and meaningful conversations, and provide the scope for employees to amend their goals as priorities change.

Our research found that current performance management systems were ill-equipped for a changing environment. Many participants commented that performance agreements did not take account of changes in supervision, roles and/or responsibilities over the 12 month performance cycle. Agreements tended to be static in nature and were rarely updated because of inflexibility with information technology systems. High work pressures and limited time also constrained managers and employees from updating agreements. In addition, managers and employees were often not engaged in sufficient conversations over the performance cycle. In many agencies these discussions solely occurred during the mid and end of cycle reviews. The performance management system did not ensure that regular and ongoing conversations were taking place between managers and employees.

## Recognising Progress as a means to facilitate adaptability

High performing organisations are characterised by a focus on continuous improvement (de Waal, 2010; Holbeche, 2004). Ahmed, Loh and Zairi (1999) described continuous improvement as “*a pervasive attitude that allows business to see beyond the present and create the future*” (p. S246). High performing organisations can increase their ability to adapt and respond to change by continually monitoring progress against target and goal attainment (de Waal, 2010). Our research, however, found that performance management in the APS tended to focus on short-term goals and processes rather than continuous improvement.

It is important to encourage organisations to set long-term stretch goals. Goals contained in annual performance agreements for individual employees need to be aligned with these longer-term organisational and governmental goals. Performance information will also need to be collected that will enable organisations to focus on the key areas that indicate progress. Organisational rewards need to recognise the achievement of both short-term and longer-term goals.

It is also important for organisations to develop a genuine interest in monitoring progress. This will enable them to address issues in a timely way by making adjustments to approaches and capitalising on what is working. Organisations need to create an environment that encourages employees to experiment with different approaches, to learn from experience (including mistakes), and develop aspirational targets so that performance improvement can be realised.

If performance management is used as a punitive tool it will discourage employees, groups and organisations from setting stretch / ambitious goals and targets. The tendency will be to focus solely on easily achievable goals, limiting the potential for performance improvement. To facilitate improvement, it is important for organisations to only incur penalties when they have not been tracking progress and have not collected appropriate performance data or do not know why targets have not been achieved (see Metzenbaum, 2009 for work undertaken in the United States).

## Summary

Crucial to performance improvement and the achievement of high performance is the ability of organisations, groups and individuals to anticipate and adapt to change. To facilitate adaptability to change, organisations can provide mobility opportunities to employees to broaden their knowledge and experience and increase their receptivity to change. They can also ensure that performance agreements are flexible, outcome focused and can be easily updated as priorities change. The ability to adapt to change at all four levels – governance, organisation, group and individual – can also be facilitated by a focus on progress. The focus on progress can be supported by the establishment of stretch goals, continual monitoring of progress against these goals, and the identification of what does and does not work. The ability to monitor progress can be aided by the utilisation of performance information as a tool for obtaining feedback on progress.

## Annex 7: Evidence and Data: communicate performance trends and targets to inform decision making

The move towards high performance requires a shift in thinking from a compliance to a continuous improvement orientation. This can be facilitated through the provision of performance data directly relevant to goal attainment. This performance information can then be used to inform strategic and operational decision making.

Fundamental to the willingness and ability of an organisation to use performance information is the focus on a minimum number of key performance indicators (KPIs). The Australian National Audit Office (ANAO) (2013), however, found that there are an excessive number of KPIs that made it difficult to review the performance of programs. The ANAO (2013) concluded that focused and clear outcome statements and well-defined program objectives are critical for realising improvements in this area. This supports work undertaken in the United States (see Metzenbaum, 2009).

Performance information needs to be accessible and communicated throughout the organisation. By simplifying and communicating performance data, groups / organisations can increase goal clarity for managers and employees, increase their alignment with higher-level goals and increase their accountability for achieving targets. This is likely to reduce the focus on compliance and excessive reporting. This shift also involves using performance data as a means to track *progress* against performance goals, targets and long-term outcomes and to review patterns in performance outcomes (see Principle 4). Such a shift has been advocated by the ANAO (2013) who have encouraged the APS to focus on reviewing progress towards longer-term objectives.

The tracking of progress involves the utilisation of qualitative and quantitative measures to identify progress against goals and as a tool for reflective practice and meaningful discussions. This will encourage organisations and groups to develop an understanding of why target(s) may or may not be achieved, and to identify when an intervention is necessary to overcome obstacles to goal attainment. This is also useful for identifying extraneous factors that affect target attainment, interdependencies with other groups / organisations, and for understanding how their work affects goal attainment (see Metzenbaum, 2009). By conducting regular status reviews, groups / organisations can also assess progress and anticipate problems before they emerge.

## Annex 8: Pragmatism – what’s possible and probable

The idea of a ‘magic bullet’ that will fix all performance management problems is an unrealistic aspiration. The complexity of the environment that APS agencies operate in means that a one-size fits all approach to performance management is not appropriate and organisations will need to develop systems that respond to their individual circumstances and challenges (Blackman et al., 2012).

Similar points were previously made in a major report on performance management in the APS: “although there may be many common elements, performance management frameworks are diverse and what works best in a particular organisation will depend on a range of environmental factors” (Management Advisory Committee, 2001, p.9). Thus, a critical foundation element for this performance framework is pragmatism.

Pragmatism highlights the need for organisations to adopt practices *generally* that are “fit for purpose”. These practices need to fit organisations’ contexts and capacities (including people and financial resources). It is important to be realistic about what is possible and probable.

The performance principles presented in this framework will underpin a Diagnostic that will encourage organisations to question the extent to which each principle is evident in their specific context. In doing so, it is also important for organisations to identify where effective practices are already evident, to build on these areas of strength, and to identify where gaps exist. Because of differences across organisations, in terms of size, mission, function and levels of performance management maturity, each will have different requirements and varying levels of capacity, as will the groups within them. This means that the prioritisation of the principles is likely to vary across, and possibly within, organisations.

## Annex 9: Capabilities: competencies of individual employees, competences and dynamic capabilities of organisations

To attain high performance, organisations must understand how their resources, routines, structures, systems and processes are brought together and leveraged to support high performance. They must also understand how these organisation-wide mechanisms enable them to adapt and change<sup>2</sup>. The focus here is on ensuring that the skills, knowledge, routines and processes evident within organisations *complement* one another and enable high performance. It is important to note that, in most cases, the strategic leveraging of capabilities requires a recognition and operationalisation of *existing* internal strengths rather than building new ones; the key challenge being how to identify, encourage and manage them, highlighting the importance of leaders in enabling and managing capabilities (Pablo et al., 2007).

These capabilities are important foundation elements that underpin the four principles. They encourage organisations to consider what they require at the *organisational* level in order to deliver on governmental goals and to adapt to a continually changing environment. They also highlight the importance of the *competencies* required of individuals and highlight the need to manage them systematically.

Various competences are important for the development of high performing organisations. These are identified below:

***Leadership competence and competencies:*** Leadership is critical to building a successful high-performance organisation (Porter, Pickering and Brokaw, 1995). Our performance management research identified the following critical competencies: a strategic perspective; effective communication; ability to clearly articulate expectations and organisational / group vision; ability to establish connections within and across organisations; change management; robust decision-making; people management and effective employee engagement and consultation. These combine to develop leadership competence. Our data showed that senior leaders were often focused on the management of underperformance rather than upon setting a framework to support high performance.

***Management competence and competencies:*** There are a range of individual managerial competencies as well as managerial routines. What matters is ensuring that managers are capable of implementing effective routines in a way that will support high performance. Core management abilities include translating high-level goals to group and individual levels and facilitating clear alignment. In addition, the ability to establish role and goal clarity, to communicate expectations effectively and to encourage employee involvement in performance management (mutuality) are also important. Supervisors also need to be able to give and receive constructive performance feedback in a timely manner and be willing to undertake difficult performance conversations. Other core competencies include the development of managers' emotional intelligence, in particular self-awareness. The achievement of high performance requires managers to view performance management as an ongoing responsibility and their core business.

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<sup>2</sup> For a more detailed discussion on *competences* (e.g. Prahalad and Hamel, 1990) and *dynamic capabilities* (e.g. Eisenhardt and Martin 2000; Teece et al., 1997) for further information. An overview is also included in Blackman et al. (2012: pp.44-47).

***Human resource competence and competencies:*** An integrated human resources system is an essential competence for high performance. Each agency had areas of strength and weakness but all agreed that certain competencies were critical: being able to provide fast, accurate advice; knowing the systems and being able to provide support to managers and employees to follow them; recognising the need to support the agency business; integrating all of the HR elements into an effective system; and being able to develop managers so that they were able to manage performance of all kinds effectively.

***Employee competencies:*** The development of employee competencies is critical for high performance. Employee competencies identified included: giving and receiving feedback; the ability to adapt to change; flexibility and agility; resilience; being collaborative; exercising good judgement; political awareness and stakeholder engagement.

## Annex 10: Diagnostic

The next phase of the project aims to develop a world class Diagnostic to support agencies in assessing the effectiveness of their current approach to performance management. The first stage in developing the Diagnostic involves seeking feedback on the framework principles and foundation elements. To achieve this, the research team has discussed the framework with an agency not involved in the original study. The objective was to see whether it resonated with the agency and to discover if it led to useful, and potentially developmental, discussions. The overwhelming response was that the principles and elements reflected the core areas where they could see a need for development. It was thought that concentrating on the framework would support both high performance and improve the management of underperformance.

The objective of the Diagnostic is to develop a series of questions to stimulate thinking about each of the four principles. This reflection should consider current performance management processes within the agency and whether they are supporting the development of high performance. Following this reflection, any changes required to enable improvements in performance management can be established. A key output for each agency is likely to involve the identification of management skills required for effective performance management and, ultimately, the attainment of high performance. The agency will also be asked to address whether the foundation elements are present in a form which will support the implementation of the principles – see Table 3 for examples of indicative questions.

**Table 3: Examples of diagnostic questions**

QUESTION	OBJECTIVE
What is high performance in this context?	To encourage members of the APS at all levels to consider what high performance looks like at the agency, group and individual levels.
What do you want to be different because you have an effective performance management system?	To encourage members of the SES to think about the strategic purpose of performance management in their organisations.
Where are you achieving high performance? How can this be built upon to achieve enhanced outcomes and productivity?	To enable the identification of areas of strength so that it can be used for future development.
How does the current system encourage a focus upon performance and goal alignment?	To encourage the development of goal alignment.
How are employees encouraged to develop ownership of the performance management system?	To encourage the development of mutual processes.
Are managers assessed in how they manage their staff and if so how?	To encourage the development of managerial skills and recognise this as core business.
How are changes in the environment or to agency goals reflected in the performance management system?	To promote an awareness of flexibility and develop processes to enable it.
How do you use data and information to make performance management decisions?	To encourage agencies and managers to reflect upon the data they have available and how they use it.
How are managers and employees supported in implementing the performance management system in ways that encourage high performance?	To move away from performance management being perceived as solely about managing underperformance and to improve the willingness of managers and employees to engage in constructive conversations and to assume mutual ownership over the performance management process.

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